

TOP SECRET

17 March 1954

Copy No. 84

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 5
NO CHANGE IN CLASS. ☒
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S O
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE: 27/12/79 REVIEWER:

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

DOS review(s) completed.

DIA review(s) completed.

TOP SECRET

SUMMARY

GENERAL

1. Attitude of COCOM members on ship exports held discouraging (page 3).

25X1

4. Reports of Chinese Communist air build-up near Indochina unconfirmed (page 4).

SOUTHEAST ASIA

5. Dien Bien Phu under heavy and effective artillery fire (page 5).
6. Viet Minh coordinating its operations throughout Indochina (page 6).

25X6

NEAR EAST - AFRICA

8. Shah reported planning replacement of Zahedi (page 7).
9. Iraqi leftists may promote demonstrations in Baghdad (page 7).

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GENERAL

1. Attitude of COCOM members on ship exports held discouraging:

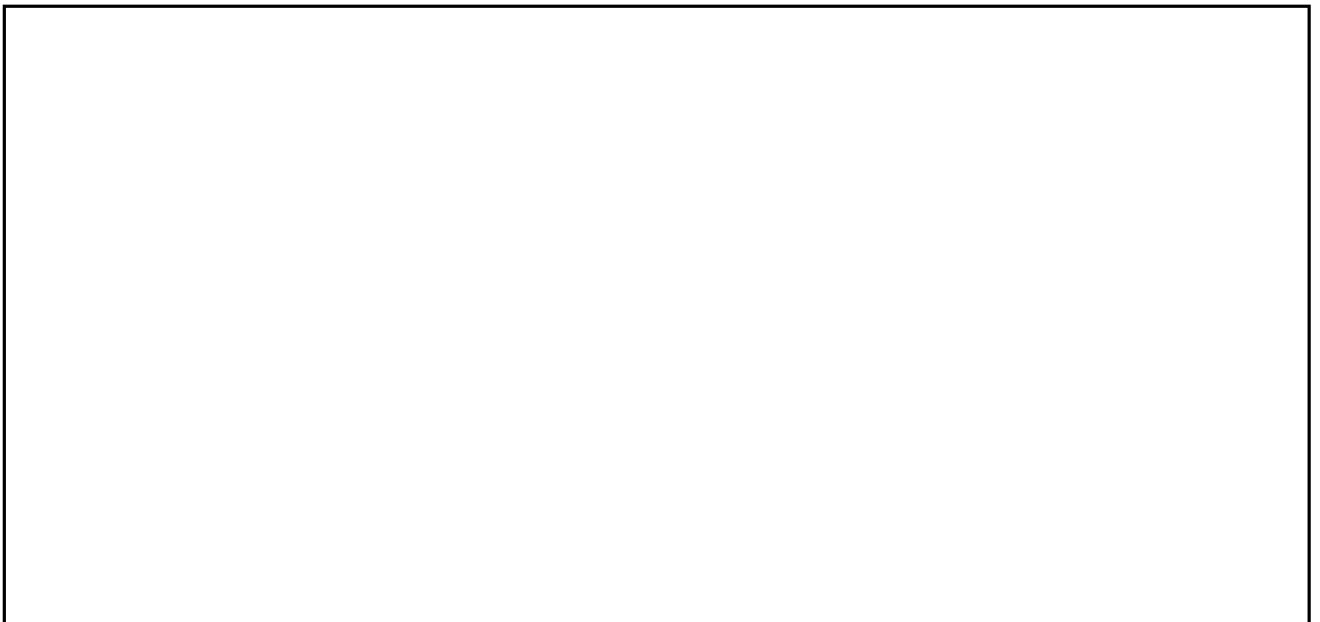
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The American proposals for future controls over Western exports of merchant vessels to the Soviet Orbit face "hard sledding," in the opinion of American officials who have just completed a round of bilateral discussions with representatives of various COCOM countries. The American officials anticipate that most COCOM members will favor the British over the American position on quota increases, and that American-British differences will be exploited to stall progress on the question. In any case no real progress is believed possible prior to the forthcoming review in COCOM of all strategic trade controls.

Comment: Since exports of merchant shipping and repairs constitute a substantial portion of all Western exports to the Orbit, the United States had hoped to obtain a preliminary favorable response to proposed controls prior to formal COCOM negotiations. Long preliminary discussions in London, however, failed to resolve basic American-British differences over quantitative controls. Various European countries now feel, moreover, that even the proposals accepted by the British in those London discussions may have been superseded by the new British trade policy.

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- 3 -

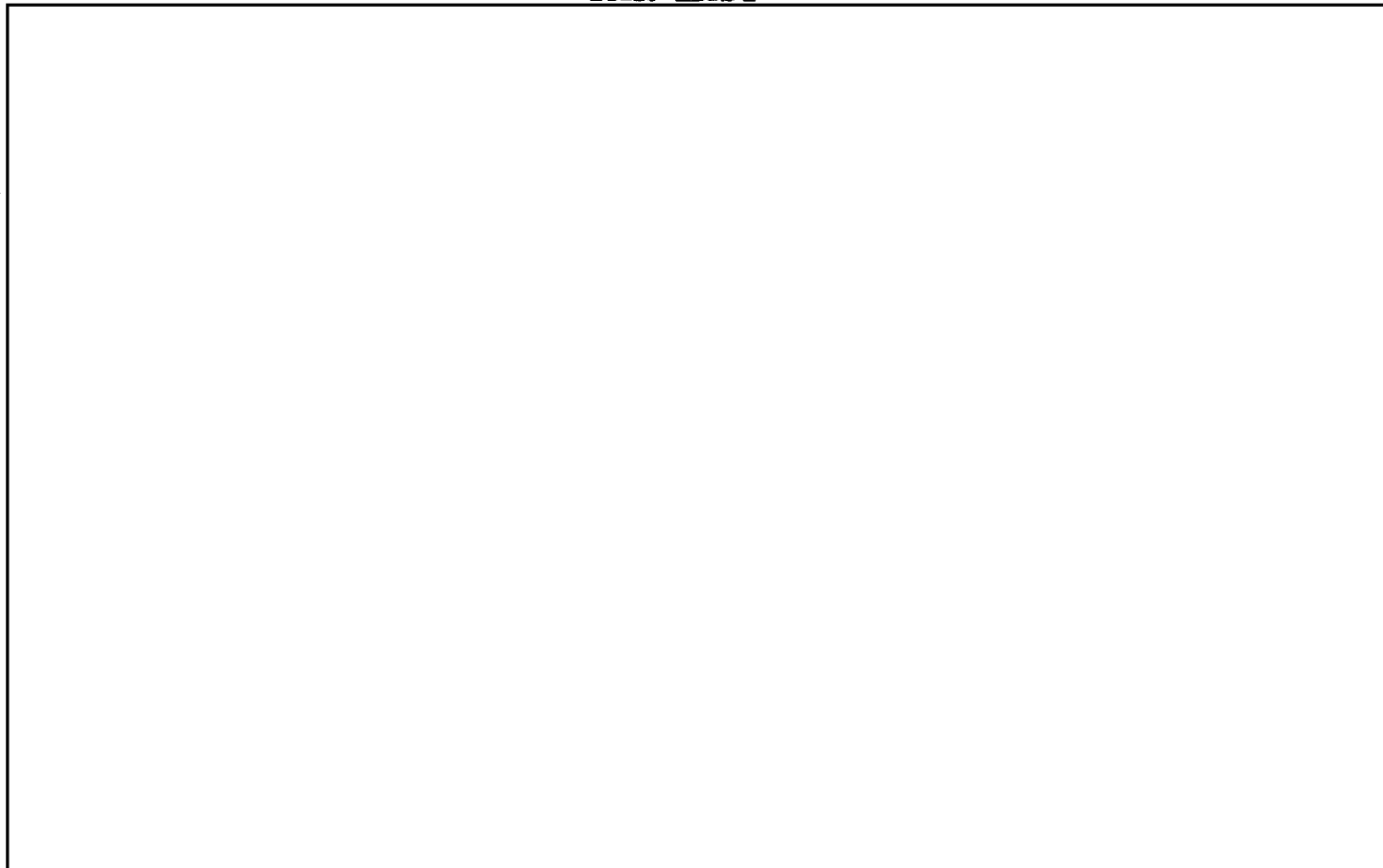
17 Mar 54

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FAR EAST



4. Reports of Chinese Communist air build-up near Indochina unconfirmed:

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According to Ambassador Heath at Saigon, the American air attaché there said "his intelligence" shows that a jet squadron is based at Nanning in South China near the

Indochina border. The attaché said also that the American 13th Air Force in the Philippines reports construction of a potential jet airfield on the east coast of Hainan Island.

The attaché has no information regarding Chinese Communist-Viet Minh intentions to use air power in Indochina. He notes, however, that two unidentified aircraft flew over the airfield at Haiphong near Hanoi on 17 and 22 February. He believes these were Chinese Communist photo reconnaissance planes.

- 4 -

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17 Mar 54

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Comment: There have been several reports of jet aircraft at Nanning during the past two years. None of these reports has, however, been confirmed. The latest reliable information indicates that the field there is unable to accommodate jets, but is occasionally used by civil transports.

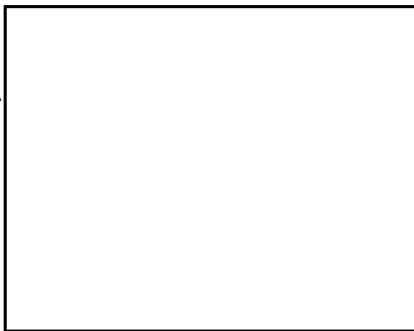
The aircraft recently reported over Haiphong may have been Chinese conventional fighters from Liuchow. No jet planes are known to be based within range of Haiphong.

The Chinese may be renovating old airfields along the west coast of Hainan Island, but this is the first report of any construction of new facilities on the east coast.

SOUTHEAST ASIA

5. Dien Bien Phu under heavy and effective artillery fire:

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reports that French positions at Dien Bien Phu received an average of 10 rounds of artillery per minute throughout 15 March. Enemy artillery was effective in knocking out French gun crews.

The French air commander in Tonkin told the American consul on 16 March that enemy shelling of the airstrip and bad weather at Dien Bien Phu were seriously hampering efforts to keep the fortress supplied. All supplies and reinforcements must now be airdropped.

The French intend to replace their artillery losses, and a battery is being readied for airdrop, according to the army attaché. General Navarre has indicated he intends to hold Dien Bien Phu at any cost, even if this means using all his parachute battalions.

- 5 -

25X1A



17 Mar 54

6. Viet Minh coordinating its operations throughout Indochina:

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greatly intensified Viet Minh operations now under way within the Tonkin delta are designed to tie down the

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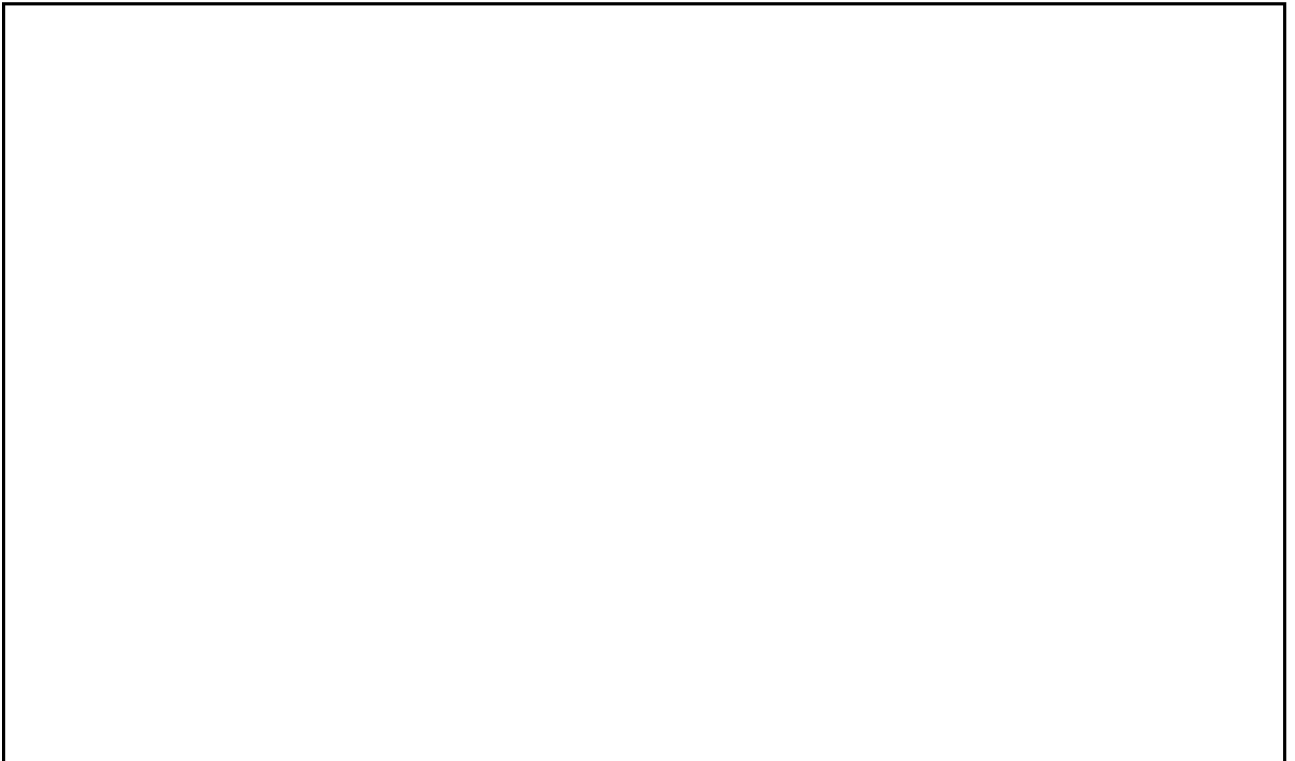
maximum number of French reserves. Midday attacks against French Union posts have increased, and the highway between Hanoi and Haiphong is being cut daily. [redacted] a further purpose of the intensified operations is to play up for political effect the French-Vietnamese inability to defend adequately areas long free from Viet Minh attacks.

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In South Vietnam, [redacted] the situation continues to deteriorate slowly. Insecurity is spreading into areas previously considered pacified.

The Viet Minh is making a major effort to reduce the effectiveness of the French air force by compelling it to operate over wide areas to meet Communist attacks throughout the country.

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- 6 -

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17 Mar 54

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NEAR EAST - AFRICA

8. Shah reported planning replacement of Zahedi:

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As a result of difficulties with Prime Minister Zahedi, the shah may appoint a "stronger man" as chief of staff and groom him for the post of prime minister.

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The shah's choices, in order of preference, are General Ali Kia, retired chief of the Iranian border guards; Colonel Hassan Pakravan, former chief of army intelligence; and General Mohammad Taghi Majidi, the present G-2.

Comment: The shah would actually like to have a completely subservient prime minister, although he does not appear capable of administering the government effectively, either alone or through a figurehead. The shah's inability to control Zahedi, and his frequent attempts to by-pass the prime minister, have caused continual friction.

An attempt to replace Zahedi is unlikely to be made until after some decision has been reached in the oil negotiations.

9. Iraqi leftists may promote demonstrations in Baghdad:

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Leftist, anti-Western parties in Baghdad are preparing student strikes to protest against Iraqi adherence to the Turkish-Pakistani agreement.

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The demonstrations may be called at any time, possibly as early as 17 March.

- 7 -

17 Mar 54

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Comment: Demonstrations are likely in view of the popular opposition that has been built up to Iraqi participation in the pact. Extremist parties have threatened another "Portsmouth Day" like that in 1948 when rioting forced the government to repudiate a revision of the 1930 Anglo-Iraqi treaty.

The government is believed able to control the situation. It may, however, be so intimidated as to break off the negotiations with the United States on military aid. It may also be induced to delay indefinitely its adherence to the Turkish-Pakistani pact.

8

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17 Mar 54